

March 25, 2009

**KRUGMAN TELLS OBEY: INCOME INEQUALITY & HEALTHCARE  
MUST BE ADDRESSED FOR A SOUND ECONOMY**

*Nobel Prize Winning Economist Says "We Can Do Better Than This!"*

WASHINGTON, D.C. - Testifying before the House Appropriations Labor, Health, Education Subcommittee, chaired by Seventh District Congressman Dave Obey (D-WI) today, Nobel Prize winning economist Dr. Paul Krugman said that even if President Obama's efforts to reverse the recession are successful, they will not be enough to create a sound economy unless we address the fundamental issues of income inequality and healthcare.

"I find it instructive - and depressing - to consider the state of the economy for ordinary Americans in 2007 - which was as good as it got in recent years," Krugman told Obey's Subcommittee. "By almost any measure, the economy was worse for most families in 2007 than it had been in 2000, the previous business cycle peak. And there was, if you believe the numbers, surprisingly little progress even over a longer period, reaching back three decades."

Why has a growing economy failed to deliver for ordinary Americans? Krugman agreed with Obey that one major reason was the failure of trickle-down economics. "Many of the gains in income went to a small minority of very well-off people, with most workers seeing little rise in real wages," Krugman said. "Even using Census data, which miss the growth in the highest incomes, average household income rose twice as fast over the past 30 years as median income - that is, income growth would have been at least twice as fast if it had not been for growing inequality."

Krugman added that there is a secondary reason for the failure of economic growth to help many Americans: our dysfunctional health care system. "We are unique among advanced countries in not having some form of universal coverage, yet we spend far more to cover 85 percent of our population than our counterparts spend to cover everyone - with no evidence that we receive correspondingly better care," he said.

"For both these reasons, there has been a remarkable disconnect between the state of the economy, as measured by the growth of GDP, and the experience of most Americans. And if that disconnect continues, recovering from the current recession, urgent though it is, will still

leave major economic problems unsolved,&quot; Krugman warned.

Obey, as Chairman of the House Appropriations Committee, and the Subcommittee on Labor, Health and Education, is holding a series of hearings on the current economic conditions facing the country and the potential impacts of the FY2010 federal budget. Dr. Krugman was one of three witnesses testifying before Obey's subcommittee during today's hearing on Raising Wages and Living Standards for families and Workers.

# # #